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No. 95-

IN THE
Supreme Court of the United States

OCTOBER TERM, 1995

FLAKT, INC.,

Petitioner,

v.

JOY TECHNOLOGIES, INC.,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Does not the plain meaning of Rule 19(a) of the Federal Rules of Civil Procedure preclude joinder of a person as an "involuntary plaintiff" to an action where the person is not "subject to service of process"?

2. Does not Fed. R. Civ. P. 19 control on questions of joinder, such that application of the pre-Rule procedure of *Independent Wireless Telephone Co. v. Radio Corp. of America*, 269 U.S. 459 (1926), wherein a patent licensee's infringement action was saved from dismissal by allowing the absent patent owner who was "beyond the reach of process" to be "made co-plaintiff by the licensee," no longer is permissible?

3. May a district court in a patent infringement action brought by a licensee disregard the plain meaning of Fed. R. Civ. P. 19 by permitting joinder of an absent patent owner as an "involuntary plaintiff" to save the action from dismissal, when the owner is a foreign company not subject to the court's jurisdiction, thereby disabling the defendant from obtaining relevant discovery, while the patent owner nevertheless actively controls the action and fully cooperates with its licensee to facilitate prosecution of the action?

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OPINIONS BELOW

The opinion of the U.S. District Court for the District of Delaware, permitting the joinder of the patent owner, Niro A/S of Denmark, as an "involuntary plaintiff" to the patent infringement action brought by its licensee, Joy Technologies, Inc. ("Joy") against Flakt, Inc. ("Flakt"),[1] thus saving the case from dismissal, is reported at 772 F. Supp. 842 (1991), and is reprinted as Appen-

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[1] As required by Rule 14.1(b) of this Court's Rules, it is noted that the parties to the proceedings below were Joy Technologies, Inc., as plaintiff and appellee, and Flakt, Inc., as defendant-apellant. Niro A/S, the involuntary plaintiff, did not appear in the district court action or in the appellate proceedings.

As required by Supreme Court Rule 29.1, the Court is advised that Flakt, Inc. has since been named ABB Flakt, Inc., and is a subsidiary of ABB, Inc.

dix C. (*see* , in particular, A15 - A20.) The initial opinion of the U.S. Court of Appeals for the Federal Circuit of July 11, 1995, which deemed the Fed. R. Civ. P. 19 issue "moot," is reprinted as Appendix B. (*see*, in particular, A6 n.3.) The October 11, 1995 modification of that opinion upon grant of Flakt's petition for rehearing, and in which the Court of Appeals for the Federal Circuit addressed the Rule 19 issue, is reprinted as Appendix A.

JURISDICTION

The initial decision of the Court of Appeals for the Federal Circuit was announced on July 11, 1995. Flakt's timely petition for rehearing and suggestion for rehearing *in banc* was granted on October 11, 1995, "for the purpose of modifying the opinion issued on July 11, 1995." (A1.) The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1) (1993). *See also*, Sup. Ct. R. 13.1, 13.4.

STATUTORY PROVISIONS INVOLVED

The Federal Rules of Civil Procedure, 28 U.S.C. app. (1992), are promulgated by this Court pursuant to the authority granted to it under the Rules Enabling Act, 28 U.S.C. § 2072 (1994). Rules 19(a) and 19(b) of the Federal Rules of Civil Procedure, at issue herein, as last substantively amended in 1966, provide:

> **Rule 19. Joinder of Persons Needed For Just Adjudication**
>
> **(a) Persons to be Joined if Feasible.** A person who is subject to service of process and whose joinder will not deprive the court of jurisdiction over the subject matter of the action shall be joined as a party in the action if (1) in the person's absence complete relief can-

not be accorded among those already parties, or (2) the person claims an interest relating to the subject of the action and is so situated that the disposition of the action in the person's absence may (i) as a practical matter impair or impede the person's ability to protect that interest or (ii) leave any of the persons already parties subject to a substantial risk of incurring double, multiple, or otherwise inconsistent obligations by reason of the claimed interest. If the person has not been so joined, the court shall order that the person be made a party. If the person should join as a plaintiff but refuses to do so, the person may be made a defendant, or, in a proper case, an involuntary plaintiff. If the joined party objects to venue and joinder of that party would render the venue of the action improper, that party shall be dismissed from the action.

(b) Determination by Court Whenever Joinder not Feasible. If a person as described in subdivision (a)(1)-(2) hereof cannot be made a party, the court shall determine whether in equity and good conscience the action should proceed among the parties before it, or should be dismissed, the absent person being thus regarded as indispensable. The factors to be considered by the court include: first, to what extent a judgment rendered in the person's absence might be prejudicial to the person or those already parties; second, the extent by which, by protective provisions in the judgment, by the shaping or relief, or other measures, the prejudice can be lessened or avoided; third, whether a judgment rendered in the person's absence will be adequate; fourth, whether the plaintiff will have an adequate remedy if the action is dismissed for nonjoinder.

STATEMENT OF THE CASE

Flakt was sued by Joy, in the U.S. District Court for the District of Delaware, for infringement of U.S. Patent No. 4,279,873 ("'873 patent"); jurisdiction was pursuant to 28 U.S.C. § 1338(a) (1993) (effective Dec. 24, 1970).

Joy was not (nor has it ever been) the owner of the '873 patent. The patent is owned by the Danish company Niro A/S (previously known as A/S Niro Atomizer), and Joy was granted a license under the patent in 1985. (A10.) One week before the suit was commenced in September 1989, Niro and Joy entered into an agreement purporting to grant Joy the "exclusive" right to bring suit "against Flakt." The agreement provided that Niro would bear one-half of the attorneys fees and expenses; be entitled to one-half of the net proceeds of the action; have veto power over settlement; and would cooperate with Joy in prosecuting the action, including "providing [Joy] information, technical support, witnesses and the like." (A12.)

Depositions early in the action established that Niro was involved in the suit at the highest levels. Indeed, Joy counsel asserted in depositions that "communications between [Joy and Niro] are protected by attorney work product and common interest between Joy and Niro." (Kaplan Dep. dated Mar. 22, 1990 at 57.) Early discovery also established that Niro was uniquely in possession of information and documents relevant to the patented invention and to invalidity and unenforceability defenses Flakt had raised.

Flakt moved to dismiss the action for Joy's lack of standing and absence of indispensable party Niro. The district court, in rulings from which no appeal has ever been taken by Joy, determined that:

(a) Joy did not have standing to bring the action and was merely an "enhanced licensee" (A15 - A17.);

(b) Pursuant to analysis under Rule 19(a) and 19(b), Fed. R. Civ. P., "an adequate and binding remedy cannot be secured without the presence of Niro" (A17 - A19.); and

(c) "Niro, a Danish corporation, is beyond the jurisdiction of the Court and has refused to join the action voluntarily . . . ." (A19.).

Notwithstanding these findings, the district court refused to dismiss the action. Instead, it granted Joy leave to join Niro as "an involuntary plaintiff pursuant to Fed. R. Civ. P. 19(a)," and permitted the action to proceed against Flakt. (A20.)

As Niro had now been made a "party" to the action, Flakt sought discovery from Niro under the discovery provisions of the Federal Rules of Civil Procedure applicable to parties. Niro refused to provide discovery in response thereto, and in response to Flakt's motion to compel, Niro counsel advised the district court that:

> Niro is a Danish corporation over which this court does not have jurisdiction . . . .
>
> . . . Because Niro is an involuntary plaintiff in the above action and, therefore, not appropriately the subject of written discovery requests by Flakt, Inc., I do not anticipate that Niro will be in a position to respond to either the written discovery requests or to the motion filed against it.

Letter from James Doub, Niro counsel, to Delaware District Court (October 1, 1991). The district court, despite being powerless to compel Niro to respond to discovery requests owing to the absence of jurisdiction over Niro, nevertheless still permitted the action to proceed based solely upon Niro's indication that it would voluntarily "cooperate" in producing documents. (District Court Hearing of October 15, 1991.) Some documents were in fact produced by Niro very shortly before trial began, but the district court ignored that there was no means to determine whether Niro had produced all relevant

documents, or indeed if all relevant information possessed by Niro was even contained solely in documents.[2]

In a bifurcated proceeding, trial of liability issues to a jury resulted in entry of judgment of infringement in favor of Joy on February 3, 1992. Post-trial motions were denied on March 31, 1993.

Flakt timely appealed the final judgment of liability to the Court of Appeals for the Federal Circuit ("Federal Circuit"), (28 U.S.C. §§ 1295(a)(1), 1292(c)(2) (1993)), specifically raising, *inter alia*, the question of whether the district court was permitted to save the action from dismissal through "joinder" of Niro by the artifice of the "involuntary plaintiff" procedure.

In an opinion of July 11, 1995, the Federal Circuit panel affirmed the liability judgment and determined that, in view of subsequent action taken by the district court, long after Flakt had lodged its notice of appeal, the questions of Joy's standing and the impropriety of Niro's joinder as an involuntary plaintiff were "moot."[3] In a timely petition for rehearing, Flakt urged that the panel determination of mootness was incorrect because Flakt's filing of its notice of appeal had divested the

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[2] The Hague Convention did not afford Flakt a vehicle for obtaining discovery from Niro. As ratified by Denmark, the Convention expressly prohibits letters of request issued for the purpose of obtaining pre-trial discovery of documents, and further prohibits requests that require a person to state what documents relevant to the proceedings are in his possession, or to produce any documents other than those that are identified with "particularity" by the requestor.

[3] (A6 n.3.) Although not readily apparent from the panel statement in the July 11 opinion, what the district court had done was to grant, over Flakt objection, a joint motion by Joy and Niro to permit Niro—which had refused to voluntarily join the liability phase proceedings—to then voluntarily join in the post-liability judgment (and post-liability appeal) damages proceedings as a full party plaintiff, and to assert therein its own claims for damages against Flakt. (A2.)

district court of authority to enter subsequent orders affecting matters on appeal.[4]

The Federal Circuit panel granted Flakt's petition for rehearing for the sole purpose of amending its July 11 opinion. In an Order of October 11, 1995 (A1.), the panel amended its previous opinion, this time reaching and deciding the Rule 19 issue as follows:

> Flakt also argues that the District Court erred in permitting Niro to be added as an involuntary plaintiff. We disagree. The 1966 amendment to Rule 19(a) did not fundamentally change the meaning of the term "involuntary plaintiff" as Flakt contends.

(A1 - A2.) A timely suggestion by Flakt for *in banc* consideration of this panel holding was treated by the Federal Circuit as a request for rehearing. Rehearing was denied, and the *in banc* suggestion declined, on December 6, 1995.

REASONS FOR GRANTING THE WRIT

I. The Federal Circuit Decided an Important Question of Federal Law Which Has Not Been, but Clearly Should Be, Settled By This Court

In this case, the Federal Circuit held that it is permissible to join a person as an "involuntary plaintiff" in an action and thus save the action from dismissal, even though no jurisdiction over the person exists in the district court.

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[4] *See, e.g., Griggs v. Provident Consumer Discount Co.*, 459 U.S. 56, 58 (1982); *Dayton Indep. Sch. Dist. v. U.S. Mineral Prods. Co.*, 906 F.2d 1059, 1063-64 (5th Cir. 1990).

In so doing, the Federal Circuit, with no apparent reasoned analysis,[5] concluded that Fed. R. Civ. P. 19(a) should be interpreted to permit this procedure, a procedure having its origin in this Court's 1926 decision in *Independent Wireless Telephone Co. v. Radio Corp. of America*, 269 U.S. 459.

The plain meaning of Rule 19(a) is to the contrary, a conclusion that has been reached by district courts in at least three different judicial districts.[6] The procedure of *Independent Wireless* is at odds with the plain meaning of the Rule, and the "involuntary" joinder in an action of a person over whom *in personam* jurisdiction does not exist is at odds with contemporary notions of due process.[7]

The interpretation of a Federal Rule of Civil Procedure, promulgated with the authority of the Supreme Court, and particularly one in facial conflict with a pre-Rule decision of the Supreme Court, is a question uniquely directed to this Court for resolution.

The ramifications of these questions are of substantial importance. Extensive foreign ownership of U.S. patents is now the

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[5] For "authority," the Federal Circuit cited to a purely dictum statement in *Abbott Lab. v. Diamedix Corp.*, 47 F.3d 1128, 1133 (Fed. Cir. 1995) ("A patentee that does not voluntarily join an action prosecuted by its exclusive licensee can be joined as a defendant or, in a proper case, made an involuntary plaintiff if it is not subject to service of process," citing Rule 19(a) and *Independent Wireless*.). This dictum is itself at odds with an earlier dictum statement of the same court in *Vaupel Textilmaschinen KG v. Meccanica Euro Italia S.P.A.*, 944 F.2d 870, 876 n.1 (Fed. Cir. 1991) ("[I]f a party is deemed necessary under Rule 19(a), but cannot be joined because it is not subject to service of process, then the court must consider in equity and good conscience whether the party is indispensable and dismissal appropriate.").

[6] *Parkson Corp. v. Fruit of the Loom Inc.*, 28 U.S.P.Q.2d (BNA) 1066, 1068-70 (E.D. Ark. 1992); *SIG Swiss Indus. Co. v. Fres-Co. Sys. U.S.A. Inc.*, 20 U.S.P.Q.2d (BNA) 1148, 1151 (E.D. Pa. 1991); *Catanzaro v. International Tel. & Tel. Corp.*, 378 F. Supp. 203, 208-09 (D. Del. 1974).

[7] *See, e.g., Catanzaro*, 378 F. Supp. at 208-09; *Parkson Corp.*, 28 U.S.P.Q.2d (BNA) at 1068-70.

norm.[8] The Federal Circuit decision authorizes use of the "involuntary plaintiff" artifice to save a licensee's infringement action from dismissal even though the patent owner, as to whom it has been determined that "an adequate and binding remedy cannot be secured" in his absence, is subject neither to process nor effective discovery.

The Federal Circuit decision provides a road-map for collusion, and is fundamentally at odds with the overriding mandate of the Federal Rules of Civil Procedure that they "be construed and administered to secure the *just* . . . determination of every action." Fed. R. Civ. P. 1 (emphasis added). The foreign owner can pre-arrange with the named plaintiff to control the action against the defendant, reap the benefit of recovery against the defendant, and facilitate a successful result by agreeing to provide unlimited voluntary cooperation to the named plaintiff in aid of prosecuting the infringement action, while invoking the very absence of jurisdiction over it to avoid any effective discovery by the defendant of the information and documents uniquely in the owner's possession that bear on valid defenses to the patent and the action. At a minimum, the Federal Rules of Civil Procedure, particularly those relating to discovery, are premised on providing a level playing field for all parties for securing information relevant to claims or defenses. The involuntary plaintiff artifice, as here applied by the Federal Circuit, decidedly tips the balance against the defendant.

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[8] According to statistics compiled by the U.S. Patent and Trademark Office, over 45% of all U.S. patents issued in fiscal years 1991-1994 were issued to residents of foreign countries. *Working for Our Customers: A Patent and Trademark Review*, Fiscal Year 1994, at 66, 68.

A. *This Court Should Decide Whether the Plain Meaning of Fed. R. Civ. P. 19 Limits Application of the "Involuntary Plaintiff" Technique To Those Situations Where the Person to be Joined Is Subject To Personal Jurisdiction of the Court*

The only reference in the Federal Rules of Civil Procedure to the "involuntary plaintiff" procedure appears in Rule 19(a).

In amendments effective July 1, 1966, the framework of Rule 19 was substantially altered from its original 1937 version. Rule 19(a), captioned "Persons to be Joined if Feasible," specifies the criteria for identifying a person who "shall be joined as a party in the action." Rule 19(b), captioned "Determination by Court Whenever Joinder not Feasible," then addresses what is to be done if a person meeting the Rule 19(a) criteria "cannot be made a party." In particular, applying recited factors, the court "shall determine whether in equity and good conscience the action should proceed among the parties before it, or should be dismissed, the absent person being thus regarded as indispensable." Thus, under the present version of Rule 19, "indispensability" no longer is a formulaic label applied to any particular category of persons depending upon substantive rights, but instead is used in a conclusory sense. *Provident Tradesmens Bank & Trust Co. v. Patterson*, 390 U.S. 102, 118-19 (1968) ("a court does not know whether a particular person is 'indispensable' until it has examined the situation to determine whether it can proceed without him").

The meaning of joining a party "if feasible" or engaging in a Rule 19(b) determination when a person as described in 19(a) "cannot be made a party," is explicitly given in the opening words of Rule 19(a), stating that "[a] person who is subject to service of process and whose joinder will not deprive the court of jurisdiction over the subject matter of the action shall be joined as a party." The third sentence of Rule 19(a)

provides that "[i]f *the person* should join as a plaintiff but refuses to do so, *the person* may be made a defendant, or, in a proper case, an involuntary plaintiff." (emphasis added). By its express terms, then, "the person" referenced in this third sentence must be "[a] person who is subject to service of process" as set forth in the opening words of Rule 19(a). *Business Guides, Inc. v. Chromatic Communications Enters., Inc.*, 498 U.S. 533, 540-41 (1991); *Pavelic & LeFlore v. Marvel Entertainment Group*, 493 U.S. 120, 123 (1989) (establishing that the Federal Rules of Civil Proceedings are given their plain meaning).

That this is the correct interpretation of Rule 19(a) is supported by the fundamental principle that one section of a Federal Rule of Civil Procedure cannot be interpreted in a manner which would render another section superfluous or a nullity. *See, e.g., In re Tetracycline Cases*, 107 F.R.D. 719, 727 (W.D. Mo. 1985); *Gangemi v. Moor*, 268 F. Supp. 19, 21-22 (D. Del. 1967). The framework of Rule 19 carefully and unambiguously sets forth the procedure for dealing with a person who should be joined in the action (as determined by a Rule 19(a) analysis) but who cannot be joined because the court has no jurisdiction over him. In such circumstances, the court must engage in the Rule 19(b) analysis to determine whether the action (1) may proceed without the person or (2) should be dismissed. Rule 19(b) would be a nullity were Rule 19(a) read to authorize yet a third option, "joinder" of the person as an involuntary plaintiff when the court lacks jurisdiction over him. There would never exist a need for engaging in the Rule 19(b) analysis because having removed the requirement for the person being subject to service of process, it would always be possible to join the person in the action.

That Rule 19 precludes joinder as an involuntary plaintiff of a person not subject to service of process is additionally supported by traditional notions of due process. These principles dictate that the *sine qua non* for a valid judicial determination

of a person's rights is the existence of *in personam* jurisdiction over such person, and that judgments rendered in violation of this due process requirement are void. *See generally World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 292-94 (1980). When, as here, the court conclusively has determined that "an adequate and binding remedy cannot be secured without the presence of" the person in question, (A19.) over whom *in personam* jurisdiction does not exist, it defies law and logic to suggest that Rule 19(a) permits circumventing fundamental due process principles simply by labelling that person an "involuntary plaintiff."

The plain language meaning of Rule 19 and due process concerns have formed the basis for the reasoning that has been employed by those courts which have directly confronted the issue of whether Rule 19(a) authorizes the joinder as an involuntary plaintiff of a person over whom no personal jurisdiction exists, determining in each case that Rule 19(a) does not permit such joinder. *See, e.g., Parkson Corp. v. Fruit of the Loom Inc.*, 28 U.S.P.Q.2d (BNA) 1066, 1068-70 (E.D. Ark. 1992); *SIG Swiss Indus. Co. v. Fres-Co Sys. U.S.A. Inc.*, 20 U.S.P.Q.2d (BNA) 1148, 1151 (E.D. Pa. 1991). In *Catanzaro v. International Telephone & Telegraph Corp.*, 378 F. Supp. 203 (D. Del. 1974), Judge Wright held:

> Nothing in the text of the original rule suggested that the district court's jurisdictional limits placed any restriction on the availability of the involuntary plaintiff procedure. However, the present Rule 19(a), where the reference to joining an involuntary plaintiff is found, is concerned only with "a person who is subject to service of process . . . ." It would appear that the present wording of Rule 19(a), unlike the previous Rule 19(a) and the holding of *Independent Wireless*, limits the involuntary plaintiff procedure to

> situations where the absent party is already found within reach of the court's process.
>
> . . . [J]oinder of an absent party otherwise beyond the jurisdiction of the court as an involuntary plaintiff raises disturbing constitutional problems. . . . [I]t has been clear that a court may not render a judgment binding upon a person absent from the territory of the forum, consistent with due process, unless the person has sufficient contacts with the forum such that binding him does not offend "traditional notions of fair play and substantial justice." . . . In the instant case, the transactional event in Delaware—the mere presence here of allegedly infringing defendants—would not seem to provide a legitimate basis for jurisdiction over [the patent owner]. . . . [T]o the extent that the *Independent Wireless* procedure permits involuntary joinder in cases where the court would otherwise refuse to proceed under Rule 19(b), that procedure may violate accepted notions of fair play and substantial justice.

Id. at 208-09 (citations omitted).

B. *This Court Should Decide Whether Rule 19 Controls Joinder Determinations in Federal Civil Actions, and Supersedes Prior "Rules," Such As the Involuntary Plaintiff Technique of* Independent Wireless, *That Are Inconsistent or In Conflict with Rule 19*

The 1926 decision of this Court in *Independent Wireless* permitted a patent licensee's infringement action (seeking an injunction in equity) to be saved from dismissal for absence of the patent owner as a party, by allowing the absent patent owner, a domestic company "beyond the reach of process" which

had refused to join the action voluntarily, to be "made co-plaintiff by the licensee." *Independent Wireless Tel. Co. v. Radio Corp. of Am.*, 269 U.S. 459, 464-75 (1926). The Court's decision was expressly rooted in principles of equity. "While this maxim [equity will not suffer a wrong without a remedy] is, of course, not of universal application, it justifies the short step needed to hold that in an equity suit . . . where otherwise justice to the exclusive licensee would fail, he may make the owner of the patent a co-plaintiff . . . ." *Id.* at 472.[9] The Court also placed reliance on the fact that "a decree in such a case would constitute an estoppoel of record against the patent owner." *Id.* at 474.

The procedure authorized by *Independent Wireless* is not reflected in, and is inconsistent with, the plain language of Rule 19(a) as amended in 1966, which is the controlling provision of the Federal Rules of Civil Procedure regarding joinder of persons as parties, and the only provision of those Rules referring to making a person an "involuntary plaintiff."[10]

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[9] At the time of *Independent Wireless*, prior to the merger of law and equity effected by the Federal Rules of Civil Procedure in 1937, the patent statutes contained separate provisions for actions at law for damages and actions in equity for injunctions. The statute governing actions for damages, unlike the law today, expressly provided that damages may be recovered by " 'action on the case, in the name of the party interested,' " and the case law had established that this statute itself authorized a licensee to bring an action for damages "in the name of" the present owner. *Independent Wireless*, 269 U.S. at 464-66 (quoting Revised Statute § 4919). No similar provision was contained in the statute governing actions in equity. The result in *Independent Wireless* was stated as being "in analogy to the remedy given [to the licensee] in an action on the case at law for damages . . . for the two sections [of the patent statute] are plainly in pari materia." *Id.* at 472.

[10] Arguably, the original version of Rule 19 as promulgated in 1937 permitted the procedure employed in *Independent Wireless*. Further, the Advisory Committee notes to the 1937 version refer to *Independent Wireless* as an example of "a proper case" for use of the involuntary plaintiff procedure.

However, at least one appellate court held that the 1937 Federal Rules of Civil Procedure in fact precluded the practice of involuntarily joining a patent owner over whom the court had no jurisdiction, because Rule 82 expressly provided that "[t]hese rules shall not be construed to extend . . . the jurisdiction of . . . district courts." *See, Contracting Div., A.C. Horn Corp. v. New York Life Ins. Co.*, 113 F.2d 864 (2d Cir. 1940).

The Rules Enabling Act under which the authority for promulgation of the 1966 amendments derived, 28 U.S.C. § 2072 (1948), expressly stated, "All laws in conflict with such rules shall be of no further force or effect after such rules have taken effect." With respect to Rule 19 in particular, this Court has held that the Rule sets forth the exclusive framework for determination of joinder issues in federal actions, such that common law principles in conflict therewith, such as regarding classes of persons who had automatically been deemed "necessary" or "indispensable" parties, no longer were applicable. *Provident Tradesmens Bank & Trust Co. v. Patterson*, 390 U.S. 102 (1968); *see also, Tycom Corp. v. Redactron Corp.*, 380 F. Supp. 1183 (D. Del. 1974) (holding that it is Rule 19, rather than common law precedent regarding "indispensability," that controls determinations of persons who are required to be joined in patent actions). This Court further held in *Provident Tradesmens* that Rule 19 was a valid exercise of the authority to promulgate rules of procedure, and was not an improper attempt to alter substantiive rights. 390 U.S. at 741-42 & nn. 12-13.

As such, the procedure authorized in 1926 in *Independent Wireless*, permitting a person over whom no jurisdiction existed nevertheless to be joined as a party to the action, being inconsistent with the plain language and framework of Rule 19, no longer is permissible. Given the plain meaning of Rule 19 as amended in 1966, it is not necessary to find in its enactment history an explicit statement that *Independent Wireless* was specifically "intended" to be superseded. It is, however, notable and telling that the Advisory Committee notes accompanying the 1966 amendments, in contrast to those accompanying the differently worded 1937 original rule, no longer refer to *Independent Wireless* as being an example of a proper case for the "involuntary plaintiff" artifice. In *Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 113 S. Ct. 2786 (1993),

for example, this Court held that Rule 702 of the Federal Rules of Evidence displaced the *Frye*[11] test for admissibility of expert opinion based upon a scientific technique, even though the drafting history of the Rule made no mention of *Frye* or of any intention to displace it. *Id.* at 2793-94. Similarly, in *Bourjaily v. United States*, 483 U.S. 171 (1987), this Court held that the common law "bootstrapping rule," barring the use of hearsay statements to prove the conspiracy needed to trigger the co-conspirator exception to the hearsay rule, had not survived enactment of Federal Rule of Evidence 104(a). *Id.* at 178-79. As stated by Chief Justice Rehnquist:

> [P]etitioner nevertheless argues that the bootstrapping rule, as most Courts of Appeals have construed it, survived this apparently unequivocal change in the law unscathed and that Rule 104, as applied to the admission of a co-conspirator's statements, does not mean what it says. We disagree.
>
> Petitioner claims that Congress evidenced no desire to disturb the bootstrapping rule, which was embodied in the previous approach, and we should not find that Congress altered the rule without affirmative evidence so indicating. It would be extraordinary to require legislative history to *confirm* the plain meaning of Rule 104.

Id. at 178.

Apart from the plain meaning of Rule 19, it can hardly be gainsaid that much has changed since *Independent Wireless*. Fundamentally, this decision of 1926, to the extent permitting the entry of binding determinations over a person as to whom

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[11] *Frye v. United States*, 293 F. 1013 (D.C. Cir. 1923).

the court has no jurisdiction, is at odds with contemporary notions of due process which find their roots in the decision, nineteen years later, of *International Shoe Co. v. State of Washington*, 326 U.S. 310 (1945). It is hardly open to question that the determination authorized by the procedure of *Independent Wireless* would *not* be given binding effect today against the "involuntary plaintiff" over whom the court had no personal jurisdiction.[12]

Still further, coming as it did some eleven years before the existence of the Federal Rules of Civil Procedure, *Independent Wireless* took no account of the modern day principle of discovery, that is, that fairness, due process, and just results are achieved only when litigants have the opportunity for fully developing relevant facts. Whatever might be said for continuing vitality of *Independent Wireless* where a person joined "involuntarily" is nevertheless a domestic company who in theory would be subject to full discovery by defendant through a subpoena issued from a district court having jurisdiction over it, the procedure is hopelessly flawed when the person is a foreign company as to whom discovery is severely circumscribed. *See supra* note 2. The inevitable result, as here occurred, is that the person having the key information relevant to defenses can arrange to have his action and interests prosecuted in his absence and thereby avoid giving to the defendant evidence that might be damning to the asserted claim, all the while agreeing to assist the plaintiff voluntarily. The procedure of Rule 19 correctly reflects these very principles, because the

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[12] *Erbamont Inc. v. Cetus Corp.*, 720 F. Supp. 387, 395 (D. Del. 1989); *Catanzaro v. International Tel. & Tel. Corp.*, 378 F. Supp. 203, 208 (D. Del. 1974). In addition, an important premise for *Independent Wireless*, *i.e.*, express statutory authority for permitting an action for damages to be brought by a licensee simply "in the name of" the patent owner, thereby justifying extension of this procedure in equitable actions "by analogy," no longer exists in the Patent Statutes today, which provide that it is only a patentee (or his successor in title) who has standing to bring an action for patent infringement. 35 U.S.C. §§ 100(d), 281 (1984).

availability of discovery is a factor a court will take into account in deciding whether it is just to proceed in the absence of a person who should be joined. *See, e.g., Parkson Corp. v. Fruit of the Loom Inc.*, 28 U.S.P.Q.2d (BNA) 1066, 1070 (E.D. Ark. 1992); *Erbamont Inc. v. Cetus Corp.*, 720 F. Supp. 387, 395 (D. Del. 1989).

II. This Court Should Resolve the Conflict Within the Federal Circuit, and Between the Federal Circuit and the District Courts, Over Whether the "Involuntary Plaintiff" Procedure of *Independent Wireless* Survived the Enactment of the 1966 Amended Version of Fed. R. Civ. P. 19

This case squarely presents the issue of whether the technique of joining a party as an involuntary plaintiff in the absence of *in personam* jurisdiction, as announced in *Independent Wireless*, is consistent with the plain language of Rule 19 or was eliminated by the amendment to Rule 19 in 1966.

In the years since the 1966 amendment to Rule 19, the courts have struggled with the issue of joining patent owners in infringement actions brought by licensees. The turmoil has been caused by a perceived contradiction between joinder under Rule 19 and *Independent Wireless* as it has been interpreted by the lower courts, and by substantial due process concerns respecting joinder in the absence of *in personam* jurisdiction.

Admittedly, this Court generally reserves grant of certiorari under Supreme Court Rule 10.1(a) for cases that involve conflicts between circuit courts of appeals, rather than conflicts existing among district courts or between a circuit court and districts courts. This case is unique, however, in that the involuntary plaintiff procedure to which it relates arises almost exclusively in patent infringement actions, as to which the

Federal Circuit has exclusive appellate jurisdiction. 28 U.S.C. § 1295. As a consequence, the issue presented is not likely to be addressed by other circuit courts.

As discussed herein, the lower courts evidence considerable confusion and conflict over the permissibility of "involuntary" joinder of a plaintiff and the continuing validity of the *Independent Wireless* procedure. A matter of this importance should not be, nor deemed to have been, "resolved" under the cursory approach as was engaged in by the Federal Circuit in this case. (A1 - A2.) Moreover, the Federal Circuit, opting as it has for now to attempt to categorize its opinion in this case as "non-precedential," leaves the lower courts at sea on the matter, and, worse still, leaves intact its own internally conflicting dictum pronouncements. *See supra* note 5.

The conflicts and confusion in the lower courts are destined, then, to continue until the matter is resolved by this Court.

A. *Substantial Conflicts Exist Within and Among the Lower Courts over the Involuntary Plaintiff Procedure*

It is apparent in the decisions on these specialized joinder issues that attempts to maneuver between the plain language of Rule 19 and *Independent Wireless* is impossible, leading to conflicts even within the same circuit and districts.

For example, in *Ferrara v. Rodale Press, Inc.*, 54 F.R.D. 3 (E.D. Pa. 1972), an exclusive licensee to a copyright sought to join the owner involuntarily even though the court lacked jurisdiction over the owner. *Id.* at 4. The defendant argued that this was an improper use of Rule 19(a) because the rule specifically requires that the "person be subject to service of process before he can be joined as a party." *Id.* The Pennsylvania district court held that *Independent Wireless* permitted parties to be joined even though a court lacks jurisdiction

in patent actions and was equally applicable to copyright actions. *Id.* at 5. The authority the court offered for upholding this interpretation of *Independent Wireless* in contention with the plain language of Rule 19 was, however, the Advisory Committee Notes to the *original*, entirely superseded, Rule 19.

Two years later, however, in *Catanzaro v. International Telephone & Telegraph Corp.*, 378 F. Supp. 203 (D. Del. 1974), the court concluded that *Independent Wireless* is both unnecessary in view of the plain language of Rule 19 and possibly unconstitutional in view of due process concerns as defined by *International Shoe Co. v. State of Washington*, 326 U.S. 310, in 1945. The court analyzed the joinder of the patent owner, over which it did not have jurisdiction, under a Rule 19 analysis, holding that the owner was indispensable and dismissed the action. *Id.* at 205-07; *see supra* pp. 12-13.

This line of reasoning was consistently followed in the Delaware district in at least five other cases from 1974 to 1993.[13] For example, in *Erbamont Inc. v. Cetus Corp.*, 720 F. Supp. 387 (D. Del. 1989), the court employed a pure Rule 19 analysis when deciding whether to join a patent owner; "If a party is deemed necessary under Rule 19(a), but cannot be joined because it is not subject to process, then the court must consider, upon application of Rule 19(b), whether the party is indispensable and dismissal appropriate." *Id.* at 393. After the court determined that the owner was necessary to the action under Rule 19(a), but not subject to process because it was a foreign corporation, it concluded that the owner was not indispensable and that the trial could continue in its absence. *Id.* at 394-95. At no point did the court consider joining the necessary patent owner as an involuntary plaintiff. Citing *Catanzaro*, the court

[13] *Pfizer Inc. v. Elan Pharmaceutical Research Corp.*, 812 F. Supp. 1352 (D. Del. 1993); *Erbamont Inc. v. Cetus Corp.*, 720 F. Supp. 387 (D. Del. 1989); *Calgon Corp. v. Nalco Chem. Co.*, 726 F. Supp. 983 (D. Del. 1989); *Dentsply Int'l Inc. v. Centrix, Inc.*, 553 F. Supp. 289 (D. Del. 1982); *Tycom Corp. v. Redactron Corp.*, 380 F. Supp. 1183 (D. Del. 1974).

saw as its only options for handling a necessary party that it could not jurisdictionally reach as either proceeding in the party's absence or dismissing the case. *Id.* at 394.

In the present case, however, the Delaware District Court departed from these precedents and expressly held that Rule 19(a), and *Independent Wireless*, permitted the joinder of patent owner Niro as an involuntary plaintiff even though Niro was not subject to jurisdiction, and that such joinder saved the case from dismissal even though the court had determined, under Rule 19(b), that "an adequate and binding remedy cannot be secured in the absence of" Niro. (A17 - A20.)

The confusion and conflict that exists within the Third Circuit alone, and the Delaware District itself, illustrates the need for clarification and guidance on handling these joinder issues.[14]

Clearly then, a controlling decision of this Court is needed for resolving these many conflicts so as to provide guidance for the district courts on these important questions.

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[14] Conflict and confusion on these questions also exists within the Eastern District of Pennsylvania (*compare Howes v. Medical Components, Inc.*, 698 F. Supp. 574 (1988) *and SIG Swiss Indus. Co. v. Fres-Co Sys. U.S.A. Inc.*, 20 U.S.P.Q.2d (BNA) 1148 (1991) *with Dublin Water Co. v. Delaware River Basin Comm'n*, 443 F. Supp. 310 (1977) *and Ferrara v. Rodale Press, Inc.*, 54 F.R.D. 3 (1972)); the districts of New York (*compare Messerschmitt-Boelkow-Blohm GmbH v. Hughes Aircraft Co.*, 483 F. Supp. 49 (S.D.N.Y. 1979), *Refac Int'l Ltd. v. Mastercard Int'l F.W.*, 758 F. Supp. 152 (S.D.N.Y. 1991) *and Windsurfing Int'l, Inc. v. Ostermann GmbH*, 100 F.R.D. 82 (S.D.N.Y. 1983) *with First Fin. Mktg. Serv. Group, Inc. v. Field Promotions, Inc.*, 286 F. Supp. 295 (S.D.N.Y. 1968), *Hooker Chem. & Plastics Corp. v. Diamond Shamrock Corp.*, 520 F. Supp. 204 (W.D.N.Y. 1981) *and Micro-Acoustics Corp. v. Bose Corp.*, 493 F. Supp. 356 (S.D.N.Y. 1980)); the Eastern District of Wisconsin (*compare Norvell v. McGraw-Edison Co.*, 270 F. Supp. 57 (1967) *with Black & Decker Mfg. Co. v. Hempe Mfg. Co.*, 420 F. Supp. 874 (1976)); and the District of Minnesota (*compare Tol-O-Matic, Inc. v. Proma Produkt-Und Mktg. Gesellschaft m.b.H.*, 690 F. Supp. 798 (1987) *with Goldhaft v. Moorhouse*, 306 F. Supp. 533 (1969)).

CONCLUSION

For the reasons given, it is respectfully submitted that the petition for writ of certiorari should be granted for resolving the questions presented.

Respectfully submitted,

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January 9, 1996

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APPENDIX A.

NOTE: Pursuant to Fed. Cir. R. 47.6, this order is not citable as precedent. It is a public record.

United States Court of Appeals for the Federal Circuit

No. 93-1419

JOY TECHNOLOGIES, INC.,
PLAINTIFF-APPELLEE,

AND

A/S NIRO ATOMIZER,
INVOLUNTARY PLAINTIFF,

v.

FLAKT, INC.,
DEFENDANT-APPELLANT.

ORDER

Appellant's petition for rehearing is granted for the purpose of modifying the opinion issued on July 11, 1995. Footnote 3 of that opinion is changed to read:

> 3. Flakt also argues that the District Court erred in permitting Niro to be added as an involuntary plaintiff. We disagree. The 1966 amendment to Rule 19(a)

did not fundamentally change the meaning of the term "involuntary plaintiff" as Flakt contends. *See Abbott Lab.* v. *Diamedix Corp.*, 47 F.3d 1128, 1133 (Fed. Cir. 1995); *see generally* 3A James W. Moore, *Moore's Federal Practice*, ¶ 19.06, at 19-86 to 19-87 (2d ed. 1993 & Supp. 1994-95); 7 Charles A. Wright, et al., *Federal Practice and Procedure*, § 1606, at 72-74 (2d ed. 1986 & Supp. 1995). Flakt advises that the district court allowed Niro to become a voluntary plaintiff by amended complaint after this appeal was filed for purposes of pursuing its own damages claim. *See* Joy's renewed motion for leave to augment the record and Flakt's opposition thereto and alternative motion for leave to further augment the record, both of which are granted. The propriety of that action is not an issue in this appeal.

FOR THE COURT

October 11, 1995 /s/
Date Francis X. Gindhart
Clerk

APPENDIX B.

NOTE: Pursuant to Fed. Cir. R. 47.6, this disposition is not citable as precedent. It is a public record. The disposition will appear in tables published periodically.

United States Court of Appeals for the Federal Circuit

No. 93-1419

JOY TECHNOLOGIES, INC.,
PLAINTIFF-APPELLEE,

AND

A/S NIRO ATOMIZER,
INVOLUNTARY PLAINTIFF,

v.

FLAKT, INC.,
DEFENDANT-APPELLANT.

DECIDED: July 11, 1995

Before ARCHER, *Chief Judge*,* BENNETT, *Senior Circuit Judge*, and NIES, *Circuit Judge*.

ARCHER, *Chief Judge*.

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* Chief Judge Archer assumed the position of Chief Judge on March 18, 1994.

DECISION

Flakt, Inc. (Flakt) appeals from the judgment of the United States District Court for the District of Delaware and from the order of the district court denying Flakt's motion for judgment as a matter of law and alternative motion for a new trial. We *affirm*.

DISCUSSION

United States Patent No. 4,279,873 ('873 patent), which issued in 1981, claims an improvement to the prior art dry flue gas desulfurization (FGD) processes by recycling the fly ash removed from the flue gas into the suspension, which is then reintroduced into the spray dryer.[1] As this process repeats,

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[1] The '873 patent contains two independent claims and eleven dependent claims. The two independent claims read as follows:

> 1. A process for desulfurization of fly ash-containing flue gas from the combustion of coal, comprising the steps of:
>
> (a) atomizing an aqueous feed suspension comprising $Ca(OH)_2$ and fly ash into the hot flue gas coming from a boiler without previous removal of fly ash therein, the amount of said suspension and the water content thereof being adjusted to obtain a temperature of the desulfurized flue gas being 8°-40° C. above the saturation temperature of said gas, thereby simultaneously drying the atomized droplets of suspension and reducing the SO_2 content of the flue gas;
>
> (b) collecting a fly ash-containing dry powder comprising conglomerates of fly ash originating from said feed suspension with materials formed by drying and SO_2 absorption step;
>
> (c) preparing an aqueous suspension from a recycled portion of said fly ash-containing dry powder and disposing of the remaining portion; and
>
> (d) adding freshly slaked lime to the last-mentioned suspension as makeup $Ca(OH)_2$ to produce a feed suspension to be atomized in step (a).
>
> 2. A process for the desulfurization of hot, fly ash-containing flue gas from the combustion of sulfur-containing fuel, said process comprising the steps of:

the recycled particles gain greater surface areas on which the reaction (and thus desulfurization) may occur during the FGD process, thereby increasing efficiency.

On September 28, 1989, Joy Technologies, Inc. (Joy) sued Flakt for infringement of the '873 patent in the United States District Court for the District of Delaware. In a bifurcated proceeding, the parties tried the liability case before a jury over fourteen days during December and January of 1992. The jury found, *inter alia*, that all of the claims asserted by Joy were infringed, both literally and under the doctrine of equivalents, and that Flakt had failed to prove invalidity.[2]

After trial, Flack [*sic*] renewed its motion for judgment as a matter of law (JMOL) under Rule 50(b) of the Federal Rules of Civil Procedure or for a new trial under Rule 59. On March 31, 1993, the district court issued a Memorandum Opinion denying these motions. Thereafter, Flakt appealed the judgment, argu-

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(a) preparing an aqueous feed suspension comprising calcium hydroxide and fly ash;

(b) atomizing said feed suspension in a stream of said hot, fly ash-containing flue gas in a drying chamber to effect drying of the resulting atomized droplets and absorption of sulfur dioxide in said flue gas;

(c) recovering a dry fly ash-containing powder comprising conglomerates of fly ash originating from the feed suspension with materials resulting from the drying and sulfur dioxide absorption step, and

(d) recycling a portion of the fly ash-containing powder recovered in step (c) for use in preparation of said aqueous feed suspension;

said drying and sulfur dioxide absorption being effected while maintaining the temperature of the flue gas effluent from said drying chamber at from [*sic*] about 8° to about 40° C. above the adiabatic saturation temperature of said gas by controlling the amount of feed suspension forwarded to said drying chamber and the total solids content of said feed suspension, in response to the amount, temperature and moisture content of the flue gas feed in said drying chamber.

[2] Following entry of judgment on the jury verdict, the district court granted a permanent injunction which enjoined Flack [*sic*], *inter alia*, from contracting for FGD plants that would practice the '873 patent. In a separate proceeding, on October 6, 1993, this court vacated and remanded that injunction to the district court. *Joy Technologies* v. *Flakt, Inc.*, 6 F.3d 770, 28 USPQ2d 1378 (Fed. Cir. 1993).

ing that the jury's determination of literal infringement and infringement under the doctrine of equivalents is unsupported by substantial evidence and that the '873 patent is invalid.[3]

On appeal, in reviewing the denial of a motion for JMOL, this court applies the standards for JMOL anew. *Read Corp.* v. *Portec, Inc.*, 970 F.2d 816, 821, 23 USPQ2D 1426, 1431 (Fed. Cir. 1992). Accordingly, the appellant must show either (1) that the jury's factual findings are not supported by substantial evidence or (2) that the legal conclusion implied from the jury's verdict cannot be supported by those findings. *Perkin-Elmer Corp.* v. *Computervision Corp.*, 732 F.2d 888, 893, 221 USPQ 669, 673 (Fed. Cir.), *cert. denied*, 469 U.S. 857 (1984); *Dana Corp.* v. *IPC Ltd. Partnership*, 860 F.2d 415, 417, 8 USPQ2d 1692, 1694 (Fed. Cir. 1988), *cert. denied*, 490 U.S. 1067 (1989).

The '873 patent discloses that the claimed FGD process requires the maintenance of a flue gas temperature at about 8 to 40 degrees Centigrade above the saturation temperature of the flue gas. To achieve the required temperature, claim 1 of the patent directs that "the amount of said suspension and the water content thereof be[ ] adjusted to obtain [the specified] temperature," and independent claim 2 similarly requires "maintaining the temperature of the flue gas effluent from said drying chamber . . . by controlling the amount of feed suspension . . . and the total solids content of said feed suspension."

Flakt argues that claim 1 requires the "adjustment" of the suspension *and* water and claim 2 requires the "control" of the suspension *and* solid but that the accused systems are distinguishable from the claims at issue because these systems

[3] Flakt also argued that the District Court erred in permitting Niro to be added as an involuntary plaintiff, but Niro has subsequently consented to become a voluntary plaintiff by amended complaint. Accordingly, Joy's renewed motion for leave to augment the record and Flakt's opposition thereto and alternative motion for leave to further augment the record are granted. Since Niro is now a voluntary plaintiff, the question of Joy's standing to bring suit on the '873 patent is moot.

only allow the adjustment or control of the amount of suspension.

In its Memorandum Opinion, the district court noted that one of Flakt's engineers (Mr. Fiedler) conceded that the amount of solids and water are *both* adjusted and controlled in order to change the amount of suspension when the accused systems react to temperature fluctuations. Another one of Flakt's engineers (Mr. Buschmann) also confirmed that the accused systems required the adjustment and control of the solid content of the suspension following periodic inspections. Based in part on the testimony of Flakt's witnesses, the district court noted that, when the accused systems made adjustments in the amounts of the suspension, any such change effected a corresponding change in the amount of *both* solids and water. The court also pointed out that Flakt's own operations manual instructed that water and solids are added to the FGD system as determined by system operating parameters, including temperature. For these reasons, the district court found that substantial evidence existed to support the jury verdict.

We must accept a jury verdict of infringement, an ultimate issue of fact, if "reasonable jurors viewing the evidence as a whole could have found the facts needed to support the verdict in light of the applicable law." *Kearns* v. *Chrysler Corp.*, 32 F.3d 1541, 1548, 31 USPQ2d 1746, 1756 (Fed. Cir. 1994). As the district court explained, the testimony and other evidence at trial demonstrated that any change in suspension would effect a corresponding change in the amount of solids as well as water. Findings to this effect satisfy the elements of the claims literally. Because substantial evidence supported the jury's verdict, we have no basis for overturning that verdict or the decision of the district court in denying the motion for JMOL. We, therefore, affirm the finding of literal infringement, which makes it unnecessary to consider the jury's finding of infringement under the doctrine of equivalents. *Transmatic*,

Inc. v. *Gulton Indus.*, Nos. 94-1315, - 1316, 1995 U.S. App. LEXIS 9815, at *9 (Fed. Cir. May 1, 1995).

We have also considered Flakt's other arguments, including those relating to Joy's lack of standing and to the validity of the '873 patent, and find them unpersuasive on the record in this case.

APPENDIX C.

In the United States District Court for the District of Delaware

JOY TECHNOLOGIES, INC.
Plaintiff,

v. Civil Action No. 89-533-JJF

FLAKT, INC.,
Defendant.

Collins J. Seitz, Jr., of CONNOLLY BOVE LODGE & HUTZ, Wilmington, Delaware. Robert A. Schroeder, and Edward G. Poplawski, of PRETTY SCHROEDER BRUEGGEMANN & CLARK, Los Angeles, California. Attorneys for Plaintiff.

Allen M. Terrell, Jr., and Nathan B. Ploener, of RICHARDS LAYTON & FINGER, Wilmington, Delaware. Paul Lempel, Bradford J. Badke and Lynne Darcy, of KENYON & KENYON, New York, New York. Attorneys for Defendant.

MEMORANDUM OPINION

May 3, 1991

Wilmington, Delaware

/s/_____

FARNAN, District Judge

Plaintiff, Joy Technologies, Inc., ("Joy"), filed the instant patent infringement action against defendant Flakt, Inc. ("Flakt") on September 28, 1989, for infringement of Patent No. 4,279,873 ("the '873 patent"), entitled "Process for Flue Gas Desulfurization."

Flakt filed a Motion to Dismiss on April 2, 1990, a Motion for Separate Trials and a Stay of Discovery on July 18, 1990, a Motion for a Protective Order Staying Discovery (pertaining to evidence on damages until the Motion for Separate Trials is resolved) on July 18, 1990, and a Motion for a Protective Order on November 14, 1990, as amended on November 26, 1990, which motions are presently before the Court.

I. FACTS

A/S Niro Atomizer ("Niro"), a Danish company, is the owner of the '873 patent, which relates to a process by which sulfur dioxide is removed from the flue gas associated with the combustion of sulfur containing fuels such as coal. Such processes are commonly referred to as flue gas desulfurization ("FGD") systems. The '873 patent expires on July 21, 1998.

In the late 1970s, Joy entered into a series of agreements with Niro for the cooperative development and marketing of systems and plants for the removal of pollutants from flue and other contaminated gases. The agreement dated June 24, 1985 (the "1985 Agreement") granted Joy[1] what in the agreement is called an "exclusive" royalty-bearing license in North America for "proprietary information," which is defined in Section ("Sec.") 1.13 as including patents, trademarks, copyrights, software, and other information, relating to the FGD process, including the process contained in the '873 patent.

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[1] Plaintiff, Joy Technologies, Inc., ("Joy"), and all predecessor companies, including Joy Manufacturing Company, will be collectively referred to as "Joy."

The "exclusive" license in North America granted to Joy under the 1985 Agreement was subject to Niro's right to "participate in any use or operation of a Licensed System or part thereof in which it, or any of its subsidiaries, has an investment." Sec. 13.1. Section 1.9 of the 1985 Agreement defines "Licensed System" as "the processes and equipment associated with the removal of gaseous and particulate pollutants from flue or other contaminated gases utilizing spray absorption technology."

In addition, despite the existence of the "exclusive" license, Niro was permitted to use the "proprietary information" for "any other agreements for Licensed Systems for which a binding contract or purchase order has been entered into prior to the" effective date of the 1985 Agreement. Sec. 13.2.

Under the 1985 Agreement, Joy was granted an "exclusive" right to grant sublicenses in North America, but only to its subsidiaries for as long as the subsidiaries remained subsidiaries of Joy. *See* Article ("Art.") II(a), Sec. 14.12. As for assignment, the Agreement provides that Joy may not assign the Agreement without the prior approval of Niro. Sec. 14.12. The 1985 Agreement states that in every contract Joy enters into under the Agreement, Joy shall attempt in good faith to include a specific disclaimer stating that Joy is only a licensee under an agreement with Niro, and that Niro has no obligation to the other contracting party, except as to specific provisions in the contract agreed to by Niro. Sec. 9.2.

In the event of a material default by Joy, Niro may terminate the Agreement, and Joy's right to use the '873 patent ceases. Secs. 12.2, 12.5. Material default is defined to include Joy purchasing certain equipment, specifically Rotary Atomizer Assemblies, from any supplier other than Niro. *See* Secs. 1.8, 3.5, 12.3. However, if the Agreement is terminated, but not due to a material default by Joy, Joy may continue to use patents licensed under the Agreement until July 1, 2000. *See* Sec. 12.5.

The 1985 Agreement further states that Joy is not permitted to use the proprietary information in licensed activities outside of North America. Sec. 9.3.

Under the 1985 Agreement, the decision of pursuing patent infringement litigation rests with Niro. Sec. 14.9. However, upon notice of infringement, if Niro does not proceed with suit within ninety day [*sic*] from such notice, Joy has the option to prosecute the suit, in the name of Niro, at Joy's cost "and for [Joy]'s sole benefit." *Id.* The Agreement further states that "[Niro] will execute all instruments and do all acts and things and give [Joy] all information and assistance, without charge, to enable suit to be instituted and prosecuted to a successful conclusion." *Id.*

In a September 22, 1989 letter agreement (the "1989 Letter Agreement") from Robert C. Hyde ("Hyde"), Vice-President and General Manager of Joy's Western Precipitation Division, to Ole Anderson ("Anderson"), President of Niro, Hyde stated that the letter was to confirm the parties' arrangement as to patent infringement litigation against Flakt for infringement of the '873 patent. The agreement included the following: (1) Niro assigned to Joy the exclusive right to sue Flakt for infringement of the '873 patent, and assigned to Joy all damages for past and future infringement; (2) Niro will receive one-half of the net proceeds of any recovery obtained by Joy, whether by virtue of a judgment or settlement; (3) Joy will be reimbursed by Niro for one-half of all fees and expenses connected with the lawsuit; (4) Joy and Niro will each pay their own costs associated with cooperating with counsel selected by Joy to prosecute any patent infringement action under the agreement; and (5) any settlement with Flakt shall be agreed to jointly by Joy and Niro.

II. ISSUES

A. *Motion to Dismiss*

Flakt argues that under 35 U.S.C. § 281 and Fed. R. Civ. P. 12(b), the Complaint should be dismissed because Niro, the owner of the '873 patent, is not a party to this patent infringement action. Flakt contends that the patent owner must be a party to perfect the subject matter jurisdiction of this Court.

Flakt additionally argues that the action should be dismissed under Fed. R. Civ. P. 19 for failure to join an indispensable party, specifically Niro, the owner of the '873 patent. Flakt submits that because Niro is outside the jurisdiction of this Court, Niro cannot be brought in as a counterclaim defendant.

Flakt contends that equity demands that the suit be dismissed because Flakt would be prejudiced by litigation of the '873 patent in Niro's absence. Finally, Flakt argues that the public interest in fully litigating issues of patent infringement requires that the suit be dismissed in Niro's absence.

Joy contends that the issue is one of standing, not subject matter jurisdiction, and that Joy has standing to sue Flakt for infringement because Joy is effectively the assignee of the '873 patent. Flakt contends that the Joy/Niro agreements do not retain any rights that are inconsistent with an assignment of the '873 patent. Further, Joy argues that Niro is not a necessary party to the patent infringement action. In the alternative, Joy argues that if Niro is an indispensable party under Fed. R. Civ. P. 19(b), then Niro should be joined as an involuntary plaintiff, instead of dismissing the action.

On the issue of possible prejudice to Flakt, Joy contends that the doctrines of res judicata and collateral estoppel would preclude Niro from relitigating these same issues against Flakt.

B. *Flakt's Motion for Separate Trials and to Stay Discovery*

Flakt contends that the issues of liability and damages should be bifurcated for trial in order to avoid confusion to the jury, and

to promote the most expeditious manner of resolving the issues. Flakt asserts that there is virtually no overlap in the issues of liability and damages, thus there is no danger of two separate juries finding conflicting facts. If two separate trials are ordered, Flakt contends that a stay of discovery on the issue of damages would be appropriate.

In addition, Flakt has filed a Motion for a Protective Order Staying Discovery on the issue of damages, until the Motion for Separate Trials is decided.

As an initial matter, Joy does not oppose the bifurcation of the issues of liability and damages. However, Joy opposes bifurcation into two separate trials because Joy asserts that there is a substantial overlap of issues, that two separate trials would cause the plaintiff substantial delay, and that Flakt delayed bringing its bifurcation motion until it obtained from Joy during discovery the type of information on damages, allegedly sensitive, that it now seeks to withhold.

C. *Flakt's Motion for a Protective Order*

Flakt seeks a protective order preventing Joy from seeking discovery from any customers or potential customers of Flakt, until Joy makes a showing that the information it seeks is necessary and relevant to this action, and that the information cannot be obtained from any other source, particularly Flakt.

In support of its motion, Flakt contends that Joy has already requested from Flakt most of the information that it now seeks from Flakt's customers. Flakt argues that Joy's attempted discovery from Flakt's customers is a form of harassment which could jeopardize Flakt's business relationship with its customers. Flakt contends that Joy has failed to demonstrate that the information it seeks cannot be obtained from Flakt. Flakt further contends that Joy is seeking, from Flakt's customers, trade secret information that is not reasonably calculated to lead to the discovery of admissible evidence, and which disclosure could lead to irreparable harm to Flakt.

Joy responds that Flakt lacks standing to challenge certain discovery requests of third parties, that the protective order sought is overly broad, and that Flakt has failed to demonstrate that it is entitled to the protective order. Joy additionally asserts that Flakt's charges of harassment and harm are unfounded and based on speculation.

III. DISCUSSION

A. *Motion to Dismiss*

1. *License* v. *Assignment*

The Court finds, despite the language in the Joy/Niro agreements, that Joy is an enhanced licensee, and not an assignee, as Joy asserts. In *Waterman* v. *Mackenzie*, the Supreme Court held that "[w]hether a transfer of a particular right or interest under a patent is an assignment or a license does not depend upon the name by which it calls itself, but upon the legal effect of its provisions." 138 U.S. 252, 256 (1891). In *Waterman*, the Court stated:

> The patentee or his assigns may, by instrument in writing, assign, grant, and convey, either (1) the whole patent, comprising the exclusive right to make, use, and vend the invention throughout the United States; or (2) an undivided part or share of that exclusive right; or (3) the exclusive right under the patent within and throughout a specified part of the United States. . . . A transfer of either of these three kinds of interests is an assignment, properly speaking, and vests in the assignee a title in so much of the patent itself, with a right to sue infringers. In the second case, jointly with the assignor. In the first and third cases, in the name of the assignee alone. *Any assignment or transfer, short of one of these, is a mere license, giving the licensee no title*

> *in the patent, and no right to sue at law in his own name for an infringement.*

Id. at 255 (emphasis added).

The Court first notes that none of the agreements between Joy and Niro profess to give Joy an "assignment" of the '873 patent, in specific language. Nonetheless, Joy asserts that the Joy/Niro agreements, taken together, establish that Joy is, *in effect*, an assignee. Specifically, Joy asserts that the agreements give Joy the exclusive right to make, use and sell the invention in North America, thus satisfying the requirements of an assignment under the third scenario in *Waterman*. Joy further contends that the agreements go beyond that which is required under *Waterman* because Joy is given the exclusive right to sublicense the '873 patent and to sue infringers of the '873 patent, pursuant to the 1989 Letter Agreement.

The Court disagrees. Contrary to Joy's assertions, the 1985 Agreement, read in its entirety, gives Joy merely the right to sublicense the '873 patent to its subsidiaries, for as long as they remain subsidiaries. *See* Art. II(a), and Sec. 14.12. Art. II(a) states that Joy has "an exclusive (except for those activities in North America which LICENSOR is permitted to puruse under the provisions of XIII of this Agreement) right, including the right to grand sublicenses (*permitted hereunder*)." (emphasis added). Section 14.12, entitled "Assignments; Sublicenses" states that "[t] [*sic*] the LICENSEE shall be permitted to sublicense the rights and licenses granted hereunder to its subsidiaries, for so long as those subsidiaries remain a subsidiary of LICENSEE. . . ." The Court concludes that Sec. 14.12 limits a broad reading of Art. II(a) which Joy advocates, because of the words "permitted hereunder." Otherwise, the words "permitted hereunder" would be meaningless.

The Court is similarly unconvinced that Joy has the exclusive right to sue all who infringe the '873 patent. While the 1989

Letter Agreement purports to give Joy the exclusive right to sue Flakt for infringement of the '873 patent, the Court cannot agree with a broader interpretation of the right to sue for infringement of the '873 patent. The Court concludes that subsection 1 of the 1989 Letter Agreement — "Niro grants to Joy the exclusive right to bring suit for infringement of that United States patent and assigns to Joy all damages for past and future infringements" — must be read in conjunction with the prefatory section of the agreement which states that the letter agreement is to confirm the parties' "arrangement" under which Joy, the "exclusive U.S. licensee" of Niro will bring suit against Flakt for infringement of the '873 patent. The Court's view is that such a reading of the agreement is compelled, since subsection 1 specifically refers to the preface when it states "for infringement of *that* United States patent" (emphasis added), instead of mentioning the '873 patent by name in the subsection. Any other interpretation is merely the work of lawyering designed to rectify the effects which result from a straightforward reading of the 1989 Letter Agreement.

The Court thus concludes that while Joy may have the exclusive right to sue Flakt for infringement of the '873 patent, Joy does not have an assignment of the right to sue any other infringers of the 873 patent.

Thus, under the analysis of *Waterman*, because Niro has reserved one or more substantial rights under the Joy/Niro agreements, the rights that Joy acquired in the '873 patent do not amount to an assignment, and therefore Joy is a licensee. *See Waterman*, 138 U.S. at 255.

2. *Involuntary Plaintiff*

Flakt advocates dismissal under Fed. R. Civ. P. 19(b) because Niro is an indispensable party, who is not subject to the jurisdiction of this Court.

Fed. R. Civ. P. 19 provides in pertinent part:

(a) Persons to be Joined if Feasible. A person who is subject to service of process and whose joinder will not deprive the court of jurisdiction over the subject matter of the action shall be joined as a party in the action if (1) in the person's absence complete relief cannot be accorded among those already parties, or (2) the person claims an interest relating to the subject of the action and is so situated that the disposition of the action in the person's absence may (i) as a practical matter impair or impede the person's ability to protect that interest or (ii) leave any of the persons already parties subject to a substantial risk of incurring double, multiple, or otherwise inconsistent obligations by reason of the claimed interest. If the person has not been so joined, the court shall order that the person be made a party. If the person should join as a plaintiff but refuses to do so, the person may be made a defendant, or, in a proper case, an involuntary plaintiff.

* * *

(b) Determination by Court Whenever Joinder Not Feasible. If a person as described in subdivision (a)(1)-(2) hereof cannot be made a party, the court shall determine whether in equity and good conscience the action should proceed among the parties before it, or should be dismissed, the absent person being thus regarded as indispensable. The factors to be considered by the court include: first, to what extent a judgment rendered in the person's absence might be prejudicial to the person or those already parties; second, the extent to which, by protective provisions in the judgment, by the shaping of relief, or other measures, the prejudice can be lessened or avoided; third, whether a judgment rendered in the

person's absence will be adequate; fourth, whether the plaintiff will have an adequate remedy if the action is dismissed for nonjoinder.

In *Independent Wireless Telegraph Co.* v. *Radio Corp. of America*, 269 U.S. 443 (1926), the Supreme Court held that in an infringement action instituted by an exclusive licensee, the owner of the patent is indispensable as a party, "not only to give jurisdiction under the patent laws but also, in most cases, to enable the alleged infringer to respond in one action to all claims of infringement for his act, and thus either to defeat all claims in the one action, or by satisfying one adverse decree to bar all subsequent actions." *Id.* at 468. The Supreme Court also held that when the patent owner is beyond the jurisdiction of the Court and refuses to join the action voluntarily upon notice of the action, the exclusive licensee may make the patent owner a co-plaintiff without the owner's consent if there is no other way of securing justice. *Id.* at 472; *accord Sheldon* v. *West Bend Equipment Corp.*, 718 F.2d 603, 606 (3d Cir. 1983). It is clear that the patent owner may be joined as an involuntary plaintiff only after he has been given the chance to join the action voluntarily and declines to do so, and that if the patent owner continues to refuse to take part in the action after being joined as an involuntary plaintiff, he will nonetheless be bound by any decree which follows. *Id.* at 459.

For purposes of this case, the Court finds that Niro, a Danish corporation, is beyond the jurisdiction of the Court and has refused to join the action voluntarily upon the request of Joy. Further, the Court finds that an adequate and binding remedy cannot be secured without the presence of Niro.[2]

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[2]The Court makes this finding despite a May 8, 1990 letter from Anderson, President of Niro, to counsel for Joy in which Niro states: "if absolutely required by the court . . . A/S Niro Atomizer would agree to be bound by the decision of that court as to the validity, enforceability and scope of our U.S. Patent No. 4,279,873."

Under the circumstances, the Court has no choice but to grant Joy leave to join Niro as an involuntary plaintiff pursuant to Fed. R. Civ. P. 19(a). Once Joy seeks to join Niro as an involuntary plaintiff, Flakt's Motion to Dismiss will be denied, however, in the interim the Court will reserve decision on Flakt's motion.

B. *Flakt's Motion for Separate Trials and a Stay of Discovery*

As stated earlier, Flakt contends that the liability and damages phases of the instant trial should be bifurcated into two separate trials in order that (1) the jury would be better able to comprehend the complex and diverse issues presented; (2) the trial be conducted as expeditiously as possible; and (3) expensive and time-consuming pre-trial discovery on damages be avoided if Joy does not prevail at the liability stage. Flakt asserts that there is virtually no overlap in the issues of liability and damages, thus there is no danger of two separate juries finding conflicting facts. If two separate trials are ordered, Flakt contends that a stay of discovery on the issue of damages would be appropriate.

Joy opposes bifurcation into two separate trials because Joy asserts that (1) there is a substantial overlap of issues, namely as to commercial success, evaluation of prior art, and interpretation of the Joy/Niro agreements; (3) [*sic*] two separate trials would cause the plaintiff substantial delay; (3) Flakt offers no evidence to support its assertion of alleged confidentiality of information that is discoverable in the damages phase; (4) factual questions resolved by one jury, which could be re-examined by another jury, violates the Seventh Amendment; and (5) Flakt delayed bringing its bifurcation motion until it obtained from Joy the type of information on damages, allegedly sensitive, that it now seeks to withhold.

Fed. R. Civ. P. 42(b) states in pertinent part:

> Separate Trials. The court, in furtherance of convenience or to avoid prejudice, or when separate trials will be conducive to expedition and economy, *may* order a separate trial of any claim.

(emphasis added).

The Court is given broad discretion in determining, on a case-by-case basis, whether bifurcation is appropriate. *Lis* v. *Robert Packer Hospital*, 579 F.2d 819, 824 (3d Cir. 1978). The Court finds that Flakt has failed to demonstrate a compelling reason in support of its application for bifurcation. In fact, the Court finds that there is at least a limited amount of overlapping evidence on the issue of evaluation of prior art, first as it pertains to validity and infringement of the '873 patent, and secondly as it pertains to damages for infringement, if infringement is found. Although a minor overlap of evidence does not militate strongly against bifurcation, it certainly does not weigh in favor of bifurcation. *See Willemijn Houdstermaatschaapij* v. *Apollo Computer*, 707 F.Supp. 1429, 1434 (D.Del. 1989).

The Court also finds that there is at least minimally over-lapping evidence on commercial success first as it pertains to infringement and second as it pertains to damages.

Further, defendant Flakt's assertion of the affirmative defense of laches, in ¶ 27 of its Answer to the instant Complaint, also weighs against bifurcation. In order to prove laches, the defendant must prove (1) unreasonable delay in the assertion of the claim; and (2) prejudice or resulting injury. Joy asserts that in order to contest the laches defense, it must be able to inquire into alleged damages during the liability phase of the trial. The Court, although not fully convinced of the merit of the damages aspect of the laches defense, finds again that there may be some overlap in the presentation of evidence.

In addition, the Court believes there are other significant reasons that favor a unitary trial, including (i) the danger of two

separate juries finding conflicting facts; (2) inevitable delay, and resulting prejudice to plaintiff, of two separate trials. *See Willemijn Houdstermaatschaapij*, 707 F.Supp. at 1435; and (3) the possibility of bifurcation of the issues of liability and damages in two separate phases of a single trial.

With all this in mind, the Court concludes that Flakt's Motion for Separate Trials, and for a Stay of Discovery, shall be denied, and therefore, Flakt's Motion for a Protective Order Staying Discovery until the Motion for Separate Trials is decided is now moot.

C. *Flakt's Motion for a Protective Order*

Flakt contends that Joy's attempted discovery from Flakt's customers is a form of harassment which could jeopardize Flakt's business relationship with its customers, possibly leading to irreparable injury to Flakt, especially in light of the fact that Joy is a major competitor of Flakt in the sale of FGD systems. Flakt argues that Joy has failed to demonstrate that the information it seeks cannot be obtained from Flakt. Flakt contends that Joy has requested from Flakt much of the same information that Joy has requested from Flakt's customers.

Flakt seeks a protective order preventing Joy from seeking discovery from any customers or potential customers of Flakt, until Joy makes a showing that the information it seeks is necessary and relevant to this action, and that the information cannot be obtained from any other source, particularly Flakt.

In response, Joy asserts that the information sought is both relevant and necessary to this action. Joy argues that Flakt lacks standing to challenge certain discovery requests of third parties, that the protective order sought is overly broad, and that Flakt has failed to demonstrate that it is entitled to the protective order. Specifically, Joy contends that Flakt has not shown that the information that Joy seeks from Flakt's customers constitutes trade secrets, and that disclosure of alleged

trade secrets under the existing protective order would harm Flakt. Joy additionally asserts that Flakt's charges of harassment and harm are unfounded and based on speculation.

At this juncture, the Court cannot ascertain whether Joy is seeking discovery from Flakt's customers in an attempt to harass. Nonetheless, it is undisputed that Joy and Flakt are fierce competitors in the technology that is the subject of this lawsuit, and Joy has not convinced the Court that the same information it seeks from third parties is not available from Flakt. Therefore, unless Joy can demonstrate that it has a specific need for evidence available only from third party customers of Flakt, the Court concludes that Flakt and its customers are entitled to protection. Thus, Flakt's Motion for a Protective Order will be granted, as asserted in its amendment to the Motion relating to discovery of information from Flakt's customers.

IV. CONCLUSION

For the reasons cited herein (1) Joy is granted leave to join Niro as an involuntary plaintiff; (2) the Court reserves decision on Flakt's Motion to Dismiss; (3) Flakt's Motion for Separate Trials and a Stay of Discovery is DENIED; (4) Flakt's Motion for a Protective Order Staying Discovery (pending disposition of the Motion for Separate Trials) is MOOT; and (5) Flakt's Motion for a Protective Order is GRANTED, as asserted in its amended motion relating to discovery of information from Flakt's customers.

An appropriate Order will be entered.